Washington State Auditor's Office **Audit Report**

Audit Services

Report No. 58008

NORTHWEST REGIONAL COUNCIL/ NORTHWEST WASHINGTON AREA AGENCY ON AGING

Whatcom County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: January 24, 1997

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Background

The Northwest Regional Council was formed on June 3, 1971. On that date, the counties of Island, San Juan, Skagit, and Whatcom entered into an Agreement to Associate. In February 1994, the aforementioned counties entered into an amended agreement, the Northwest Regional Council Interlocal Agreement.

In 1975, the Northwest Regional Council was appointed by the Department of Social and Health Services to serve as the Northwest Washington Area Agency on Aging.

The stated purpose of the council is to serve as the Area Agency on Aging under the Older Americans Act and organize and direct services and supports for people with disabilities in Island, San Juan, Skagit, and Whatcom Counties. The council may also contract with the Department of Social and Health Services Aging and Adult Services Administration to provide services in order to more efficiently use government resources.

The job of an Area Agency on Aging is to ensure that the services available through private nonprofit and governmental agencies fit together in a system that works for older people. To accomplish this, area agencies work on an annual planning and funding cycle which begins with an analysis of the needs of local older people for transportation, housing, social services, health care, and other services. Through a process of public hearings, surveys and research, and with the assistance of an advisory committee, these needs are ranked in order of importance and matched with available resources. Older Americans Act, Social Security Act, Senior Citizens Services Act, and other state and federal funds are available to area agencies to fill gaps in the service delivery system. The proposed funding outline and other planning information are incorporated into an area plan which serves as a contract between the area agency and Department of Social and Health Services Aging and Adult Services Administration. Also included in the plan is an outline of proposed agency activities for the upcoming year. Following public hearings on the proposed plan, it is submitted to the Northwest Regional Council and the Department of Social and Health Services Aging and Adult Services Administration for review and approval. Once funding has been authorized, the area agency subcontracts with local organizations which provide the services authorized by the plan.

Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260)

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the financial statements, as listed in the table of contents, of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Northwest Regional Council/Northwest Washington Area Agency on Aging is the responsibility of the agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the agency complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the agency's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the agency and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

We also noted matters involving noncompliance with laws and regulations related to federal financial assistance which were reported to the agency's management in our report on general requirements and in the Schedule of Federal Findings.

This report is intended for the information of management and the council members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag State Auditor

Independent Auditor's Report On Internal Control Structure At The Financial Statement Level

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the agency, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent

with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Federal Findings is a material weakness.

We also noted matters involving compliance with laws and regulations related to federal financial assistance which were reported to the agency's management in our report on general requirements and the Schedule of Federal Findings.

This report is intended for the information of management and the council members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag State Auditor

Schedule Of Findings

 The Annual Report Should Be Prepared And Submitted Within The Prescribed Reporting Period

The 1995 financial statements of Northwest Regional Council/Northwest Washington Area Agency on Aging were not completed until November 27, 1996.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class. Such reports shall be prepared, certified, and filed with the division within one hundred fifty days after the close of each fiscal year.

Apparently other duties of the staff involved in preparation of the financial statements took priority over the completion of the annual report.

When financial reports are not prepared and filed as required, the users of these reports are denied access to the agency's financial information. In addition, the delay in the reconciliation and preparation of the financial statements hinders the timely discovery and correction of errors. Furthermore, the late preparation of the annual report could prevent completion of the audit process within timeframes mandated by federal requirements, which could jeopardize federal funding.

<u>We recommend</u> accurate annual reports be prepared and submitted within the prescribed reporting period.

Auditee's Response

It is the intent of the Northwest Regional Council to ensure the integrity of its records. We will do everything we can to comply with your recommendations. In 1995, the NWRC assigned additional staff support to the fiscal unit to assist with agency accounting and recordkeeping, and began the implementation from a manual accounting system to an automated one. Now that this transition to an automated system is complete, we have the capability of generating information in a more timely manner. We are establishing a schedule of reports and their due dates which includes those reports required by the Office of State Auditor. Henceforth, we will meet the deadline required by RCW 43.09.230 which states that Annual Reports are to be certified and filed with the State Auditor's Office within 150 days after the close of each fiscal year.

Auditor's Concluding Remarks

We would like to express our appreciation to the Northwest Regional Council /Northwest Washington Area Agency on Aging for its written response to our audit report. We appreciate the efforts of the management of the agency to comply with our recommendations. We will review the status of the agency's compliance with our recommendations as part of the next regularly scheduled audit. We would like to take this opportunity to thank the staff throughout the agency for their assistance and cooperation during the audit period.

Independent Auditor's Report On Financial Statements And Additional Information

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the accompanying financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Regional Council/Northwest Washington Area Agency on Aging at December 31, 1995 and 1994, and the results of its operations and cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated December 24
1996, on our consideration of the agency's internal control structure and a report dated December 24
1996, on its compliance with laws and regulations.

Brian Sonntag State Auditor

Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 24, 1996. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag State Auditor

Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 24, 1996.

We have applied procedures to test the agency's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the agency's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the agency had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which is described in the accompanying Schedule of Federal Findings.

This report is intended for the information of management and the council members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag State Auditor

Independent Auditor's Report On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 24, 1996.

We also have audited the agency's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- reporting
- special tests and provisions related to monitoring and evaluating performance and voluntary service cost contributions for Title III-C and Title III-B, eligible providers for the Title XIX Medical Assistance program, and registered nurse oversight as Aging and Adult Services Field Manual for Title XIX Personal Care as described in the OMB Compliance Supplement for Single Audits of State and Local Governments
- · claims for advances and reimbursements
- and amounts claimed for matching

The management of the agency is responsible for the agency's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the agency's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Northwest Regional Council/Northwest Washington Area Agency on Aging complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the council members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag State Auditor

Independent Auditor's Report On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Program Transactions

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 24, 1996.

In connection with our audit of the financial statements of the agency and with our consideration of the agency's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the agency's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the Northwest Regional Council/Northwest Washington Area Agency on Aging had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the council members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag State Auditor

Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs

Council Members Northwest Regional Council/Northwest Washington Area Agency on Aging Bellingham, Washington

We have audited the financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging, Whatcom County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 24, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the agency complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the agency's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 24, 1996.

The management of the agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

 Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls

- Purchasing and accounts payable
- **Payroll**

General Requirements

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements, including subrecipient monitoring

Specific Requirements

- Types of services
- Eligibility
- Reporting
- Special requirements

Claims For Advances And Reimbursements

Amounts Claimed For Matching

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

Accounting Controls

- Cash receipts
- Cash disbursements
- Receivables
- Receiving
- Inventory control
- Property, plant, and equipment
- General ledger

State Auditor's Office - Audit Services

General Requirements

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act

• Specific Requirements

■ Matching, level of effort, earmarking

Amounts Used For Matching

During the fiscal year ended December 31, 1995, the agency expended 91 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the agency's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the agency's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Federal Findings is a material weakness.

This report is intended for the information of management and the council members and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag State Auditor

Schedule Of Federal Findings

 The Agency's Fixed Asset Recording System Should Contain Information Required By Federal And State Grant Requirements And The Fixed Asset Control System Should Be Strengthened

As documented in prior audit findings, title to nearly all of the fixed assets of the Northwest Regional Council vests with the Washington State Department of Social and Health Services (DSHS) as further described in Note 5 to the financial statements; therefore, the agency does not record these assets on their balance sheet. However, our audit revealed the following weaknesses in internal controls over the fixed asset system are still occurring:

- a. The agency's fixed asset records do not identify the source of funds used to acquire assets, who holds title to the property, cost of the property, use and condition of the property, and final disposition of the property.
- b. The agency does not adequately reconcile physical inventories to fixed asset records.
- c. The agency does not have an adequate system in place to ensure all assets are included in the fixed asset records nor does it ensure all dispositions are properly recorded.
- d. The agency does not have an adequate system in place to ensure all fixed assets are tagged to identify them as agency property.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C, Sec. 32, Equipment [4][d] states in part:

- (1) Property records must be maintained that include . . . a serial number or other identification number, the source of the property, who holds title, the acquisition date, and the cost of the property, percentage of Federal participation . . . and any ultimate disposition data . . .
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume 1, Part 3, Chapter 7:

Accountability for fixed assets is required for all local governments, regardless of size.

The BARS manual further states:

An adequate fixed asset accounting system will enable your government to meet statutory requirements, to produce adequate records and reports and to safeguard assets properly.

The Department of Social and Health Services' *Aging and Adult Services - Policies and Procedures Manual* in Chapter 9, Sec. XIV.A, states in part:

<u>POLICY:</u> . . . Form UCC-1, must be completed . . . for property with a value of \$400 or more which is purchased by the AAA . . .

 AAAs must maintain an inventory of all purchased and/or state-provided property. This inventory must include property at the AAA and subcontractor level. UCC forms will provide the basis for inventory control.

Although the agency appears to have made some effort to improve its fixed asset accounting system, the weaknesses documented in the prior audits were determined to still exist during the 1995 audit. The inadequate fixed asset accounting system still appears attributable to low priority being placed on fixed asset accountability.

Adequate safeguarding or reporting of agency fixed assets cannot be assured when sufficient accounting procedures and controls are not established.

We recommend the agency:

- a. Adopt fixed asset policies and procedures to ensure compliance with requirements of federal and state regulations.
- b. Perform periodic inventories and reconcile those inventories to their accounting records.
- c. Perform occasional spot checks to determine the accuracy of the agency's inventory.
- d. Provide an adequate system to ensure all fixed asset acquisitions and dispositions are properly entered in equipment records.
- e. Provide a consistent system of identifying assets by tag or serial number.

Auditee's Response

The Northwest Regional Council has been working since last year on revising and updating the fixed asset policies and procedures to comply with the requirements. Some changes in procedures have already been implemented to ensure tighter controls on equipment. We do conduct annual inventories, and have completed the physical inventory for 1996. We are in the process of finalizing the documentation of that inventory.

Auditor's Concluding Remarks

We would like to express our appreciation to the Northwest Regional Council /Northwest Washington Area Agency on Aging for its written response to our audit report. We appreciate the efforts of the management of the agency to comply with our recommendations. We will review the status of the agency's compliance with our recommendations as part of the next regularly scheduled audit. We would like to take this opportunity to thank the staff throughout the agency for their assistance and cooperation during the audit process.

Status Of Prior Findings

The findings contained in the prior audit report were resolved as follows:

1. The Annual Report Should Be Prepared And Submitted Within The Prescribed Reporting Period

<u>Resolution</u>: The 1995 financial statements of the Northwest Regional Council/Northwest Washington Area Agency on Aging were not completed until November 27, 1996. See Finding 1.

2. The Agency's Fixed Asset Recording System Should Contain Information Required By Federal And State Grant Requirements And The Fixed Asset Control System Should Be Strengthened

<u>Resolution</u>: The weaknesses noted in the prior audits were determined to still exist during the 1995 audit. See Federal Finding 1.